WORLD BANK NEWS

Volume XIV, No. 5 February 2, 1995

LENDING

Righting Rwanda

Bank, Other Donors Move to Rebuild Decimated Country

The World Bank this week approved a $50 million credit to help Rwanda finance its recovery from civil strife that has decimated the country's population, ravaged social services and destroyed its economy. The credit from the Bank's International Development Association (IDA) has encouraged other donors to pledge an additional $125 million to aid the Central African nation's Emergency Recovery Program.

"IDA, the World Bank's concessionary lending affiliate, will disburse the credit quickly," says Francisco Aguirre-Sacasa, director of the Bank department responsible for the Bank's work in Rwanda. "All of the IDA funds will be disbursed in calendar year 1995."

The total aid package comes to $200 million, which includes $75 million from IDA ($50 million in the new credit and another $25 million from the restructuring of credits already in the pipeline).

The Bank convened two donor meetings in Paris in the past few months to begin the process of raising funds for Rwanda. With growing confidence in the new Rwandan government's commitment to national reconciliation, many donors have declared their readiness to participate. For instance, the United States, Belgium, Canada, the Netherlands, Norway and Switzerland provided funds to clear up Rwanda's arrears to the World Bank so the Bank could resume lending to the country.

Other donors that have either commit-

See **RWANDA**, *page 2*

Rebuilding for their return.

International donors meeting in Paris pledged $900 million to help Haiti's recovery plan. **2**

A Bank conference finds that developing countries will benefit greatly from the Uruguay Round trade negotiations. **3**

Poland's reforms have brought great successes, and new challenges, according to a new Bank study. **4**

Development agenda, page 5

Lending roundups, page 6

Press advisory, page 6

Assistance Aims to Jumpstart Government, Economy

RWANDA, *from page 1*

ted or indicated a willingness to become part of the economic rescue effort are Germany, the European Union, United Nations Development Programme, and the African Development Bank. The International Monetary Fund (IMF) will also likely provide balance-of-payments support.

The IDA money comes on the heels of a $20 million grant the Bank provided last summer to help resettle displaced persons and refugees inside Rwanda. Because the Bank is not a relief agency, the unusual grant was funneled to four U.N. agencies, UNICEF, UN High Commissioner for Refugees, the Food and Agriculture Organization and the World Health Organization.

The latest IDA credit will help provide funds for critical imports needed by the government and the private sector, and technical assistance to help implement reconstruction and re-establish basic government functions.

"Rwanda now has a government but virtually no administration," says Aguirre-Sacasa. "For instance, on average, only about a fifth of public sector professionals are currently at work, as most officials have either been killed or fled the country. The new government is devoid of financial resources."

The IDA emergency recovery credit aims at helping Rwandans return to their normal lives and productive activities. The credit is designed to (1) help the government begin the restoration of key economic and social services, rebuild the institutional capacity necessary for sustainable economic recovery and design a coherent economic policy framework; and (2) provide the private sector with the means to resume operations and create jobs.

"This operation faces significant risks," Aguirre-Sacasa says. "The government, however, is committed to beginning the task of social reconstruction and to laying the groundwork for a modern, more efficient state and sound economic policies. But without strong international support, the chances of Rwanda recovering economically and socially are nil as is the likelihood of making Rwanda whole again." □

How Bad is Rwanda's Economy?

Rwanda has, in effect, a non-functioning economy. The civil war dealt a severe blow to the foundations of a narrow and fragile economy, badly battered even before this latest crisis. Bank staff have estimated that real GDP declined by as much as 50 percent in 1994, which followed an 11 percent contraction in 1993 when GDP per capita was estimated at $195.

• More than half of Rwanda's agricultural and industrial output has been lost, according to the Bank, while most enterprises are not operating. Cash crops were particularly hard hit. Only about 700 tons of coffee were exported in 1994; the annual average had been about 30,000 tons. No tea was exported in 1994, and almost all the tea plantations and processing plants were destroyed. At the same time, industry output is estimated to have dropped 60-80 percent.

• Foreign exchange reserves have vanished, coffee stocks have been stolen and the government can barely generate revenue. Damage to physical infrastructure such as roads and bridges has been relatively modest, but human losses have been huge.

• Social services were cut sharply, with health and education being especially hard hit. Medical supplies, essential medicines and vehicles were stolen, medical centers were damaged and normal distribution channels broke down. Also, educational equipment was stolen and schools vandalized.

Overall, the sharp decline in economic activity has intensified poverty in Rwanda, which ranked among Africa's poorest countries even before the crisis.

Donors Pledge $900 Million to Haiti

International donors meeting under World Bank auspices this week pledged up to $900 million in recovery assistance to Haiti over the next 12 to 15 months.

The Consultative Group for Haiti gathered in Paris on January 30-31, the first meeting of the Group since President Aristide's return to power. Delegates from more than 20 bilateral and multilateral donors lauded the new government's efforts at economic and social recovery and its coherent reform plan. Haiti's recovery program is designed to ensure macroeconomic stability, create growth and employment and improve basic conditions for the 70 percent of Haitians who live in abject poverty.

The Bank's International Development Association has already approved a $40 million credit for Haiti; the Inter-American Development Bank has provided a $70 million credit and a $4 million grant, and the International Monetary Fund is likely to approve a $30 million stand-by arrangement for the country's recovery program.

GATT a Likely Boon to Developing Countries

Early Analysis Indicates Jump in Income, Market Importance

Developing countries stand to benefit enormously from freer world trade following the Uruguay Round of global trade negotiations, according to economists and scholars who gathered last week for a World Bank conference on the subject.

Cuts in merchandise tariffs, for example, will alone boost real incomes in developing countries by between $60 billion and $100 billion a year, a jump of between 1.3 and 2 percent of real income, according to findings presented at the two-day gathering, The Uruguay Round and the Developing Economies.

M. Iannacci

Michael Bruno

"The Uruguay Round trade agreement is a milestone for developing countries," said World Bank Chief Econ-omist Michael Bruno at the opening of the conference at the Bank's Washington headquarters. "Its completion marks the end of the beginning of the critical process of integrating the developing countries fully into the global economy."

Developing countries also will emerge as ever more important markets under liberalized world trade, Bruno said. The United States and Canada already export more to developing countries than they do to the European Union or Japan, a trend that will only grow over time, he said.

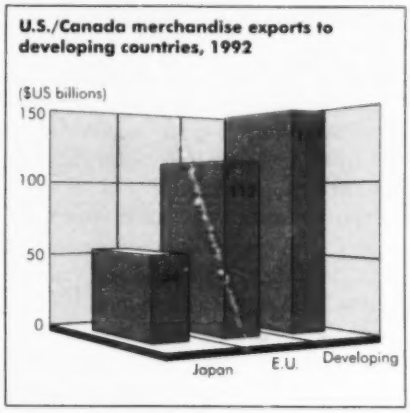
"By the end of the next decade, we expect developing countries to take over one third of industrial country exports, up from around one fifth today," Bruno said.

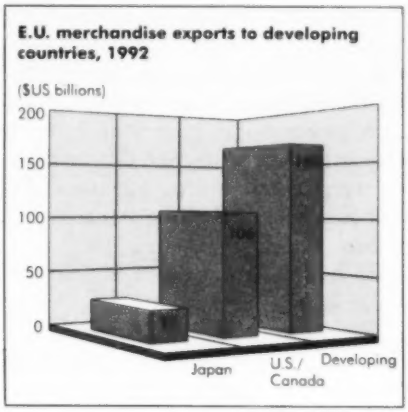
The conference, the first major one based on detailed studies of the actual Uruguay Round agreements and actual country schedules, drew more than two

See **GATT**, *page 4*

Mighty Markets

Developing countries a favorite of exporters.





Source: World Bank

Uruguay Round Conference Papers

These papers presented at the Bank's conference on the Uruguay Round and developing countries are available to journalists. To receive one or more of the titles below, send your request by fax to (202) 473-1341 or via electronic mail to: NARTIS@WORLDBANK.ORG@INTERNET.

1. *Agricultural Liberalization and the Uruguay Round*
2. *Uruguay Round Reforms: Emphasizing Agricultural Reforms*
3. *Trade in Manufactures: The Outcome of the Uruguay Round and Developing Country Interests*
4. *Manufacturing and MFA Liberalization*
5. *Market Access*
6. *Medium Term Implications of the Round*
7. *Quantifying the Uruguay Round*
8. *Legalized Backsliding: Safeguarding Provisions in the GATT*
9. *Developing Counties and System Strengthening in the Uruguay Round*
10. *Tentative First Steps: An Assessment of the Uruguay Round Agreement on Services*
11. *Service Sector Liberalization*
12. *Trade-Related Intellectual Property Issues*
13. *TRIMS in the Uruguay Round: An Unfinished Business?*
14. *The Entwining of Trade Policy with Environmental and Labor Standards*

Agricultural Trade Results Mixed

GATT, *from page 3*

hundred trade specialists from the Bank, the new World Trade Organization, the International Monetary Fund and universities worldwide. Participants presented more than a dozen papers on a broad range of the new trade conditions, including agricultural trade, manufactures, trade in services and new safeguards provisions.

Key findings from the conference included:

- The agreement on agriculture achieved a great deal by defining rules for agricultural trade, but much less than was hoped in terms of immediate market opening.
- Substantial cuts were made in tariffs on manufactures, and the agreements to abolish the Multifiber Arrangement and the Voluntary Export Restraints are crucial for developing countries to industrialize and modernize.
- The establishment of the World Trade Organization, which has wider responsibilities than the GATT, stronger dispute settlement procedures and greater ministerial involvement, strengthen the world trading system, a necessary step in order to implement the agreement and build on its foundation.

For more information on the Uruguay Round conference, contact Bill Brannigan at (202) 473-1784.□

Inter-American Development Bank

Unraveling the maize maze?

PUBLICATIONS

Poland Pushes Ahead

Report Details Growing Strength, New Challenges

Poland, which quickly and courageously pushed through painful reforms, is being rewarded with growth and increased welfare, according to a new World Bank study of the country's economy.

"Its achievements are truly remarkable," says the study, *Poland: Policies for Growth with Equity*. The lessons are clear for other countries in the region that are still struggling with indecision about the basic direction of reform."

Poland's leaders cast aside the 45-year legacy of an oppressive regime and engaged in radical economic and political reform. Institutions common in Western Europe had to be invented from scratch.

"The report highlights the strong determination of a new generation of leadership, whose rare tenacity to stick to its vision of reform and democracy has made Poland a front runner among the nations now becoming integrated into the European Union," says Gerardo Corrochano, a financial economist in the Bank's Europe and Central Asia Department. Corrochano, who helped produced the study, was part of a mission that visited Poland in February 1994. Luca Barbone, principal economist of the department, is the report's lead author.

A nation that was once nearly written off as the "new sick man of Europe," must now capitalize on its strengths and remedy those weaknesses that could undermine its growth and stability, the study argues.

Poland's strengths include strong growth in the private sector, which now accounts for more than a third of industrial activity and half or more of all GDP and employment. Productivity has increased substantially in the private sector and in many state enterprises. Progress has been made in reducing inflation, external reserves have improved, and unemployment has peaked.

One of Poland's weaknesses is that national savings have declined because of the strong growth in domestic demand. This trend must be reversed, or at least halted, according to the study. "Investment prospects hinge as much on a turnaround in savings as on improved external capital flows," it says. "Poland's challenge is now to gain more access to international private capital markets. Policies that safeguard economic stability, remove impediments to foreign direct investment, and eliminate uncertainly about property rights will help Poland get the external financing it needs."

A nation that was once nearly written off as the "new sick man of Europe," must now capitalize on its strengths and remedy those weaknesses that could undermine its growth and stability.

Another weakness is that a powerful group of large state-owned enterprises, employing about 15 to 20 percent of the industrial labor force, is postponing painful reforms. These enterprises, which include coal, steel and railways, are a severe burden.

A third weakness is that the consensus for reform is weakening. Social strains have emerged, as some parts of society argue that the fruits of recovery are not being shared equally.

"The report argues for updated policies that, building on the strength of recent performance, will ensure continued economic stability, reform of public finances, and adequate speed of privatization and structural reforms," Corrochano says.

Journalists may receive complimentary copies of Poland: Policies for Growth with Equity. A World Bank Country Study,1995, *by writing on company letterhead to the World Bank, Office of the Publisher, Marketing Unit, Room T-8054, Washington, D.C. 20433, fax (202)676-0579.*□

Development Agenda

Date	Event	Sponsor	Location	Telephone
FEBRUARY				
9-10	Ministerial Level Meeting of the Consultative Group for International Agricultural Research	CGIAR	Lucerne	(31) 322-3473
9-10	IDA-11 Meeting	World Bank	Paris	(33-1)4069-3016
10-11	Workshop: The Role of East Asian Governments in Economic Development: A Comparative Institutional Analysis	World Bank	Stanford, CA	(202) 473-6444*
10-12	Seminar: Local Heritage in the Changing Tropics: Innovative Strategies for Natural Resource Management and Control	World Bank	Hartford, CT	(202)458-2310*
16-17	Conference on Stock Markets, Corporate Finance and Economic Growth	World Bank	Washington	(202)473-7465*
21-23	Better Health in Africa, Panel Meeting	WHO/UNICEF/Gov'ts of Sweden, Switzerland, United States/World Bank	Paris	(202)458-8012*
27-28	Tanzania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
MARCH				
1	Uzbekistan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
2-3	Kazakhstan Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
9-10	Zimbabwe Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
13-15	Mozambique Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
22-24	Second Annual Congress of the Americas	World Congress, Inc.	Mexico City	1-800-767-9499*
23-24	Cote d'Ivoire Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016

Editor's Note: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

ALGERIA Good transportation is a key to economic growth in vast Algeria, which spreads across more than two million square miles of Northern Africa. To that end, a $130 million World Bank loan approved January 31 aims to help the country reduce its backlog of badly needed road and bridge rehabilitation. In addition to improving high and medium traffic roads and priority bridges, the project will provide specialized advice to boost the ability of Algerian transport agencies to oversee and maintain roadways.

TUNISIA In Tunisia, too, bad roads contribute to poverty and inadequate services, particularly in rural areas. To help the government improve or upgrade more than 1,000 kilometers of rural roads and ensure they are adequately maintained, the Bank on January 31 approved a $51.5 million loan.

IFC INDEX

The International Finance Corporation is the private sector arm of the World Bank and is the largest multilateral source of equity and loan financing for private sector projects in developing countries. For more information on the project listed below, contact (202) 473-7700.

CHINA IFC on January 24 signed its first investment agreement in China's agribusiness sector. The agreement will provide about $19 million in financing to help implement a $30 million eel farming and processing project in Nantong, in China's Jiangsu province. IFC also provided advice on effluent treatment and use of water resources for the processing plant and farm, which will produce about 3,000 tons of eels a year, mainly for export to Japan.

PAKISTAN IFC will provide up to $67.9 million to Kohinoor Energy Limited to build, own and operate a 120 megawatt power plant near Lahore, Pakistan. The agreement, signed on January 24, consists of $61.6 million in loans and a subscription of 15-percent in the company's share capital for about $6.3 million. The total project cost is $138.6 million, with full operations expected to begin in March, 1997.

Also in Pakistan, IFC on January 25 entered into an agreement to provide up to $35 million to construct the country's first private sector port terminal at the Port of Karachi. The estimated $100 million facility, to be built by Premier Container Terminal Limited, will provide more efficient and increased container and cargo handling capacity. IFC financing will help to upgrade existing berths, install modern container-handling equipment and a computerized traffic data processing system.

World Bank Evaluation Results Available

The World Bank's Operations Evaluation Department (OED) has completed its twentieth Annual Review of Evaluation Results of the Bank's operations. The Evaluation Results for 1993 are available on request from the Bank's Public Information Center at (202) 458-5454.

The evaluation process is a critical component of the Bank's efforts to improve the quality of the development projects and programs it finances.

OED enjoys full independence in judging the outcomes of completed operations, their sustainability and their development impact. Results and recommendations are reported directly to the Bank's executive directors and fed back into the design and implementation of policies and lending operations.

For more information, contact Al Drattell at (202) 473-1787.

WORLD BANK NEWS

Steve Hendrix, Editor
Michael Prest, Editorial Advisor
Cynthia Delgadillo, Production Assistant

World Bank News is published in English, French and German by the World Bank's External Affairs Department, Washington, D.C. 20433, U.S.A. Maps appearing in World Bank News are for the convenience of readers. The denominations used and the boundaries shown do not imply any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries. (ISSN 0254 6353) Telephone: (202) 473-9661.

The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.